

ARIZONA DEPARTMENT OF REVENUE

**1982 - 1983
Annual Report**





J. Elliott Hibbs
Director

Bruce Babbitt
Governor

The Honorable Bruce Babbitt
Governor of Arizona
State Capitol
Phoenix, Arizona 85007

Dear Governor Babbitt:

It is with a sense of pride and a sigh of relief that I give to you this annual report reflecting the Arizona Department of Revenue's activities during 1982-83. It was a tough year, but a very successful one.

The state faced an extremely difficult financial situation largely because of the recession's impact on tax revenues, and our department faced and met the challenge by collecting \$30 million more in delinquent taxes than had been planned.

The department also had to implement many new laws, including ones with far-reaching administrative consequences such as those changing the dates and/or procedures for paying withholding tax and sales tax, requiring that estimated taxes be paid by corporations and high-income individuals for the first time and changing the rates for sales taxes.

The Property Tax Equity Program achieved its objectives of raising appraisals of undervalued land around the state to more realistic levels -- a major step in making property tax bills fairer for all property owners.

And the department managed to make dozens of significant improvements in systems and procedures.

I am happy that the following pages describe in more detail a year of continued and expanding accomplishments for the agency.

Sincerely,

A handwritten signature in dark ink, appearing to read 'J. Hibbs'. Below the signature, the name 'J. Elliott Hibbs' and the title 'Director' are printed in a standard serif font.

J. Elliott Hibbs
Director

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STATE REVENUE PICTURE CREATES CHALLENGE AND SUCCESS FOR THE DEPARTMENT OF REVENUE

Through legislative action and massive enforcement measures, the state weathered its worst fiscal crunch in years -- a crunch caused by a deep recession that dwindled tax revenues.

Law Changes

Major law changes designed to improve the state's cash flow created significant challenges for the Revenue Department. Legislative changes signed into law during 1983 pushed revenue collections into higher gear and called for sweeping systems revisions, many of which had to be made within a few short weeks of their passage. See Table I for a summary.

Putting all these law changes in place required fast and extensive revamping in many areas of the department's processing as the volume of documents increased by leaps and bounds. Getting the word out was itself an enormous task. These accomplishments became even more outstanding because the year also required an all-out enforcement push.

Enforcement

More than any other period in the history of the Revenue Department, fiscal 82-83 was the year of aggressive enforcement of tax laws.

With the state facing its tightest budget squeeze in memory as the year began in July, the department sought to increase the collection of unpaid taxes in every way possible while continuing to provide services mandated by law.

In July, 13 employees were transferred into revenue-producing jobs, such as auditing and collecting taxes, from other positions.

In October, a crackdown began on delinquent taxpayers -- people who filed tax returns but failed to pay what they owed. Ten more people were moved into collections jobs for a 25 percent increase in the section's staff that would allow production of an additional \$6 million in revenues.

By this point, several areas of the department had become severely strained by loss of personnel due to statewide budget cuts or transfers of workers to revenue-producing positions. There was no place else from which to usurp employees for the maximization of revenues.

To break through this roadblock, the director sought permission for the department to be partially exempted from the state agency budget cuts. The department received about \$900,000 of its original cut to hire 57 employees temporarily: 30 tax collectors, 13 auditors and 14 support staffers.

Armed with these additional resources, the agency announced the Arizona Tax Hunt, an all-out effort to catch people who don't file state tax returns and to make laggards pay their overdue bills.

A publicity blitz warned errant taxpayers that tax collectors and auditors would be more aggressive . . . and that computer technology would be employed by the new Fair Share Unit to target tax evaders through comparison of payroll records, car registrations, occupational licenses and other data to identify people not listed in the roster of taxpayers.

To give one last chance to people who unwittingly failed to file past-year returns, a 60-day grace period let them pay up and receive minimum penalties without fear of criminal prosecution. The effort, the first of its kind in years nationwide, produced more than 10,000 returns worth more than \$4 million.

After the grace period expired on Jan. 20, 1983, the Arizona Tax Hunt proceeded to ferret out so-called non-filers and delinquent taxpayers at an accelerated rate and raise \$17 million more for the state.

Auditors emphasized accounts that would bring in large amounts of money during the fiscal year rather than produce assessments of taxes due which might be uncollectible for many months. Extra revenue was brought in by increasing the frequency of sales and income tax billings. Procedures were streamlined for improved revenue-production efficiency in the collections units. An evening and weekend shift was created for tax collectors who called individual income taxpayers, a step that dramatically increased the number of successful contacts.

Some employees even worked unpaid overtime voluntarily.

The result was by far the most successful revenue-collection effort in the department's history. Revenue employees gave \$30 million more to the state treasury than planned before the year began. Table II shows total revenues of 1982-83 compared to 1981-82 for audits and collections.

TABLE 1
MAJOR 1983 LEGISLATION AFFECTING THE
ARIZONA DEPARTMENT OF REVENUE

<u>Tax Topic</u>	<u>Old Law</u>	<u>New Law</u>
Individual and corporate income tax extensions (HB 2003)	No payment required with extension request	90% of tax liability required to be paid in order to receive an extension (for 1982 returns, 75% due by June 15)
Individual estimated income tax (HB 2003)	Payments optional	Payments required if 10% of federal liability is \$1,000 or more; for 1983 and 1984 tax years
Corporate estimated income tax (HB 2003)	Payments optional	Payments required if state liability is \$1,000 or more
Withholding payments from employers (HB 2003)	Due monthly from filers owing more than \$9,000 per quarter; all others paid quarterly	Payments required to be made on the federal schedule for filers owing more than \$1,500 per quarter; all others pay quarterly
Withholding from gambling winnings (HB 2003)	No withholding required; lottery winnings exempt from state income tax	Withholding required on gambling winnings; only lottery winnings less than \$5,000 per year are exempt
Sales and Use tax due date (HB 2003)	Tax due on the first of the second month following the month of collection and delinquent 5 days later	Tax due the 20th of the month following the month of collection and delinquent if not received by the 2nd to the last day of that month
Sales tax rates (HB 2176)	Retail sales taxed at 4%; all other sales taxed at rates from 3/8% to 4%	Retail rate increased to 5% from June 1, 1983 through June 30, 1984; all other rates go up by 25% of old rate from January 1, 1984 to June 1, 1984
Interest rates on delinquent tax (HB 2003)	Set by statute at 12%	Rate will be same as rate charged by IRS

See 1983 Legislation Summary at end of this report for more details.

TABLE 2
COLLECTIONS OF AUDIT ASSESSMENTS AND DELINQUENT TAX
1981-82 AND 1982-83

	<u>1981-82</u>	<u>1982-83</u>	<u>% Change</u>
Phoenix Audit*			
Assessment Collections	\$12,752,080	\$16,723,447	31.1
Fair Share	**	3,936,192	--
Sub-Total Phoenix	<u>12,752,080</u>	<u>20,659,639</u>	62.0
 Tucson Audit			
Assessment Collections	2,041,279	5,281,668	158.7
Fair Share	**	402,419	--
Sub-Total Tucson	<u>2,041,279</u>	<u>5,684,087</u>	178.5
 TOTAL AUDIT UNIT COLLECTIONS ⁺	<u>\$14,793,359</u>	<u>\$26,343,726</u>	78.1
 TOTAL BILLINGS	<u>\$30,866,335</u>	<u>\$36,834,939</u>	19.3
 Collections of Delinquent Tax			
Phone & field (Phoenix)	\$11,716,524	\$19,763,290	68.7
Phone & field (Tucson)	4,518,199	10,804,108	139.1
Liquor enforcement	838,782	2,325,308	177.2
Other collections	<u>2,001,649</u>	<u>3,227,080</u>	61.2
 TOTAL DELINQUENT TAX COLLECTIONS ⁺	<u>\$19,075,154</u>	<u>\$36,119,786</u>	89.4

* Includes estate and luxury taxes

** Fair Share unit became operational in 1982-83

+ Some collections of the audit unit are also included in delinquent tax collections.

ARIZONA DEPARTMENT OF REVENUE

1982-83 HIGHLIGHTS

ADMINISTRATION

Income Tax Processing: More progress was made in speeding up income tax processing. For the first time, all returns received by April 15 were opened, sorted, serialized and the revenues deposited by April 27. This exceeded the objective for opening mail by five days and depositing checks by three days. As of July 1, 1,065,947 returns had been processed, an increase of approximately 21,000 returns over last year's total. In addition, between January and July, 369,426 checks totalling \$119,273,229 were deposited with the State Treasurer. These totals exceeded 1982 figures by 20,406 checks and \$19,500,000 respectively.

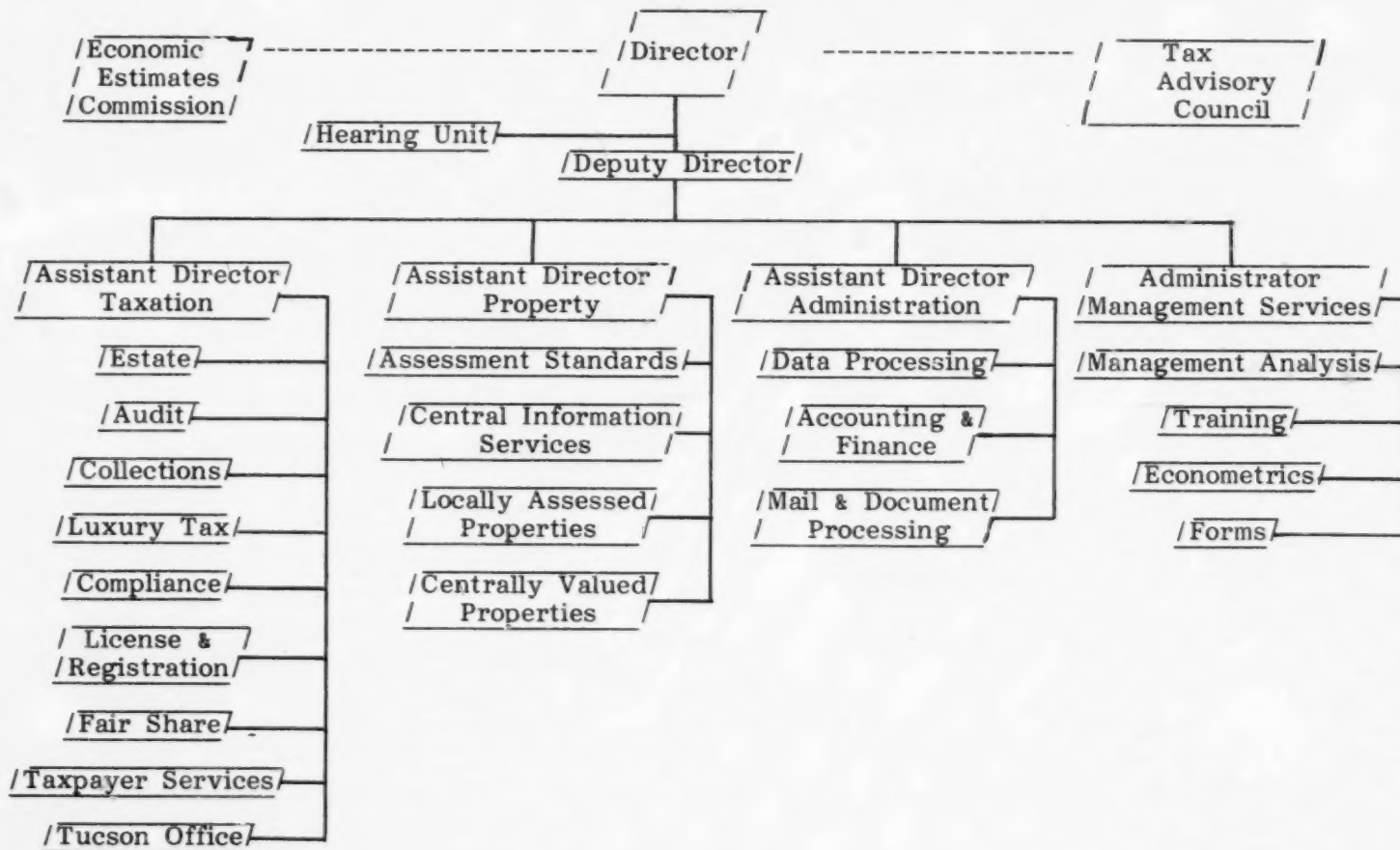
Electronic Cash Register System: In order to provide more timely and accurate information that will benefit both the department and taxpayers, installation of a sophisticated electronic cash register system was begun in 1982-83. The new registers will allow the deposit of checks within 24-48 hours of receipt and in addition create an immediate audit trail on all documents -- a vast improvement over the old system. The department will be able to respond to inquiries faster and eliminate potential duplicate billings to taxpayers. Other advantages are more accurate employee production, timely cash flow reports, and increased information for our auditors and collectors. The registers will become fully operational during 1983-84.

Withholding Accounts Receivable: The accounts receivable withholding system was converted from a manual system to a semi-automated system in the 1982-83 fiscal year, resulting in more frequent billings and ultimately more collections. Implementation of the semi-automated system, along with increased collection efforts, produced accounts receivable withholding payments of \$1.5 million, a 58% increase over 1982 figures.

New Withholding Processing System: Withholding tax processing took a big step forward with the passage of new withholding legislation in 1983. The department developed and implemented an entirely new withholding tax processing and reporting system replacing an outdated system over 10 years old. In addition to providing several new reports for processing and systems controls, the license and registration section was provided with better tools to ensure accurate and up-to-date employer registration.

Computer Conversion: The department is converting from an outdated, overworked computer system to a modern one with increased capacity. This project was begun in June 1982 and its anticipated

ARIZONA DEPARTMENT OF REVENUE
ORGANIZATIONAL STRUCTURE
1982-83



conclusion is December 1983. The new system will allow change-over to state of the art hardware so the department can share computer resources with other agencies and perform dual operations with one mainframe supporting production and the other supporting on-line inquiry thus providing the capability for increased workload by system users such as taxpayer services, audit, and collection personnel.

Sales Tax: The new sales tax accounts receivable computer system was finished in FY 82-83 and has greatly improved the department's functions and services as follows:

1. The taxpayer receives a clear and itemized statement of all tax obligations and payments.
2. The department can respond faster to taxpayer inquiries since the account history is on-line.
3. Sales tax accounts receivable revenues have been increased 145% over proceeds from the previous semi-automated system.

Temporary Personnel: This year for the first time the department utilized a private firm to provide temporary employees for tax processing during peak filing periods. This effort has produced very favorable results which were particularly evident during the recent peak income tax processing period. Use of these temporaries enabled the department to tailor its needs as fluctuations occurred in our processing systems. Areas which made extensive use of these employees as needs arose were mail & document processing, error resolution, taxpayer services, revenue control, Phoenix phone power and Tucson phone power. During the highest peak filing period, approximately 400 temporaries were employed.

Training: The department's in-house training took a giant step forward with implementation of an intensive auditor development program. A comprehensive statistical sampling course designed in-house for auditors has received rave reviews from outside sources including the IRS. Standardized performance criteria and a system for tracking the development and performance status of each auditor were also put in place. Over 600 staff received training in areas including confidentiality, affirmative action, training techniques, administrative support skills and planning. Self-teaching manuals were written for processing and service personnel in error resolution, accounts receivable, individual income tax, and document processing.

PROPERTY and SPECIAL TAXES

Assessment Standards: Major activities of this section focused on the department's efforts to improve equity in property valuation and enhance operation of the various property tax information systems. In December 1982, the department initiated the Property Tax Equity Program, requiring county assessors to adjust land values

for the 1983 tax year to more realistic levels of market value appraisal. Land had been valued at less than half its market value in some counties, meaning land owners paid too little in taxes while other taxpayers had to pick up the slack. The Property Tax Equity Program caused land values in all counties to be brought to a more equitable appraisal level with other types of property and to be uniform between counties. Preliminary data indicate statewide improvement in appraisal performance and substantial improvement in the uniformity of vacant land appraisals. Efforts to continue these improvements will be aided by a new Land Manual which was substantially revised during the year.

Several improvements to the Market Model System for computerized mass appraisal were introduced to extend and refine the applications; these included appraisal of condominiums, use of cost/market values to improve appraisals on certain residential property, and introduction of a technique to recognize value variations resulting from different sizes and location of parcels. The Sales Ratio Reporting System was improved to provide for reporting additional data to make that system more useful. In connection with pending litigation, the Assessment Standards Section initiated a major project to verify property sales transactions for commercial and industrial and rental residential properties. The department contracted with E. H. Boeckh Company to develop a new Construction Cost Manual for the Arizona property tax program. Development of that manual, and review of its contents by the Division staff, were major efforts during 1982-83. The new manual will be implemented during 1984 for use in preparing the 1985 tax roll.

Centrally Valued Properties: Appraisal of centrally valued properties (natural resources, utilities and railroads) resulted in values of \$833 million for natural resources and \$9.1 million for other properties. Desk audits for 400 water utilities, 240 private car companies and 14 major airlines were performed. Audit adjustments resulted in additional assessments totalling \$257,757.

As part of a continued push toward advanced valuation procedures, capitalization rates (ratios of income to value) were developed using modern financial valuation methods. In addition, a model based on customer utilization was developed and combined with other methods used in the valuation of water utilities. An organizational change should provide more coordination as well as use budget money more efficiently. The financial analysis unit was merged with the audit unit creating the financial unit. During the next fiscal year, the unit will participate with the ASU Finance Department in providing credit to top college interns for their work with the unit. This innovative program should bring more expertise to the unit while providing experience to students interested in financial valuation.

Locally Assessed Properties Section: Several months were spent reappraising 160,000 land parcels in Maricopa County to bring about more equity with other types of property. Reappraisals were also done on selected properties in La Paz County. Final reports on appraisal and performance audits went to the assessors of Navajo and Pima counties. In Navajo County, land was found to be undervalued by an estimated \$130 million. Escaped property in Pima County was estimated at roughly \$145 million based on the Pima audit. Reviews of records in Yuma and Cochise counties were completed as well as a follow-up on audit directives previously sent to Yavapai County. A full cash value to market ratio analysis was developed for vacant land in Navajo, Cochise, and Coconino counties. Almost 5,000 hours of the appraisal units time was spent assisting county personnel and reviewing their field work. An equal amount of time was spent preparing court cases and board hearings. Thirty-one cases were taken to the State Board of Tax Appeals. In addition, this section reviewed over 14,000 requests for changes in tax bills during the year.

TAXATION

Audit: Two major operating units were established in FY 82-83. The Audit Services Unit was established to process and control audits and provide technical assistance to staff auditors, management and taxpayers. The Fair Share Audit Unit was created to detect non-filers, tax protesters and tax evaders and enforce compliance with tax laws.

Audit assessments for the Phoenix office totalled \$74,170,039, a whopping 160.5% over the prior year. That includes over \$15 million assessed by the Phoenix Fair Share Unit. Collections on Phoenix assessments were \$17,762,651, an increase of 45.8% from last year. The Tucson office issued income tax audit assessments equaling \$5,849,301 of which \$3,458,878 was collected. The latter figure represents a 258% increase over the 1981-82 year. Tucson sales tax assessments amounted to \$3,149,643; \$1,822,789 was collected which was 22% over the objective and 69.4% more the prior fiscal year. The new Fair Share Unit in Tucson assessed \$824,511 and collected \$402,419. All totaled, audit assessments were \$83,993,494 in 1982-83, over 120% greater than in 1981-82.

Collections: The 1982-83 year emphasized tougher collection efforts through increased staff and better systems to provide phone and field collectors more data to work accounts. It paid off with collections totally \$36,119,784 of delinquent taxes, a full 89% more than in 1981-82. Phoenix phone collectors generated \$12,217,035 while the field unit collected \$7,546,255. Through combined efforts with the Liquor Control Board, the liquor enforcement unit collected \$2,325,308, a substantial revenue increase of 277% over the last year.

Other collection areas including liens, NSF checks, denied penalty waivers and tax claims on bankruptcies totalled \$3,227,080. The combined Phoenix collections effort totaled \$25,315,678, a 73.9% jump from 1981-82. The Tucson collection staff brought in \$10,804,108, a generous 143% increase over last year.

Compliance: The compliance section undertook seventeen investigations by four special agents in 1982-83. Some of these cases are still pending but this criminal enforcement effort produced good results. During 1982-83, the section successfully prosecuted one taxpayer, indicted another, and identified and stopped four fraudulent refund schemes which would have cost the state approximately \$150,000.

Estate Tax: A total of \$2,826,457 was collected from estate and fiduciary audits for fiscal year 82-83. Also, a new Uniform Unclaimed Property Act has been adopted by Arizona, and will go into effect on January 1, 1984. The Uniform Act provides for clearer treatment of each type of property covered under the unclaimed property statutes, is more specific than the former language, and is expected to increase compliance and collections.

Licensing and Registration: Streamlined licensing and registration procedures developed in 1982-83 enabled the staff to process the numerous requests for new licenses, address changes, location and name changes much faster. In Phoenix and Tucson, this section issued 23,000 new sales tax licenses, 17,000 new withholding licenses, and 8,000 additional location licenses. On top of that work load, 105,000 changes and cancellations were processed. A new combined application was introduced in April that has made it easier for taxpayers to apply for sales tax licenses and register for withholding and unemployment insurance taxes. Enforcement personnel visited 3,560 businesses during the fiscal year to inspect for proper licensing and found 480 with either an incorrect license or no license to do business.

Luxury Tax: Audit goals were exceeded in this section by 55% with 1,450 audits performed and \$77,000 assessed and collected.

Taxpayer Services: This section started the year with a skeleton staff due to the severe budget crunch. Outside temporaries were added during the tax season and by the end of the fiscal year over 319,000 inquiries had been resolved in Phoenix and Tucson. Almost 90% of the questions were handled on the phone while the remainder were answered in person or by mail. The section squeezed time in to conduct several seminars with the Small Business Administration. Taxpayer services will receive increased emphasis during 1983-84 due to the higher volume of calls and letters than anticipated during the past year.

REVENUE SUMMARY

TABLE 3
GROSS REVENUE COLLECTED

SOURCE	1978-79	1979-80	1980-81	1981-82	1982-83
SALES AND USE TAX					
Transaction Privilege	\$ 302,812,573	\$ 344,755,193	\$ 315,333,779	\$ 339,048,243	\$ 357,098,095
Education Excise	292,999,847	335,360,847	306,054,592	326,825,752	349,085,972
Special Education	98,985,428	121,759,143	114,897,883	125,120,498	125,845,679
Use	10,657,575	15,267,048	14,016,182	13,795,054	15,702,202
Bingo	127,072	142,458	159,422	276,216	388,758
Rental Occupancy	155,854	147,904	241,993	113,272	76,651
Subtotal	\$ 705,738,349	\$ 817,432,593	\$ 750,703,851***	\$ 805,179,035	\$ 848,197,357
INCOME TAX					
Withholding	199,701,449	269,412,512	325,366,394	417,219,768	400,596,831
Individual	116,113,005	121,471,839	133,503,187	150,867,216	195,584,283
Corporation	92,608,295	117,764,492	130,378,605	122,024,168	169,039,740
Subtotal	\$ 408,422,749	\$ 508,648,843	\$ 589,248,186	\$ 690,111,152	\$ 765,220,854
LUXURY TAX					
Spirituos Liquor	12,684,041	13,227,227	13,593,465	13,482,032	13,890,962
Vinous Liquor	2,361,719	2,480,932	2,632,740	2,967,247	3,008,457
Malt Liquor	6,009,779	6,386,712	6,574,829	6,891,524	8,813,120
Tobacco - All Types	38,977,667	41,232,502	40,083,323	42,222,950	42,407,848
Licensing	1,593	752	755	2,245	1,300
Subtotal	\$ 60,034,799	\$ 63,328,125	\$ 62,885,112	\$ 65,565,998	\$ 66,181,687
ESTATE TAX					
Estate	8,475,196	12,258,772	10,139,409	12,637,301	12,492,005
Unclaimed Property	354,745	425,807	1,053,513	571,366	995,848
Escheated Estates & Unclaimed Dividends	111,258	157,302	104,974	190,328	367,969
Subtotal	\$ 8,941,199	\$ 12,841,881	\$ 11,297,896	\$ 13,398,995	\$ 13,855,122
FLIGHT PROPERTY TAX	2,053,858	2,507,401	5,585,255	3,217,110	2,290,785
PRIVATE CAR TAX	999,759	536,773	692,366	538,855	566,505
NUCLEAR PLAN ASSESSMENT	-----	-----	-----	300,000	968,456
DEPARTMENT TOTAL	\$1,186,190,713	\$1,405,295,616	\$1,420,412,666	\$1,578,311,145	\$1,697,281,766
STATE PROPERTY TAX*	84,621,457	40,356,292	84,349,439	88,393,124	77,626,564
TOTAL**	<u>\$1,270,812,170</u>	<u>\$1,445,651,908</u>	<u>\$1,504,762,105</u>	<u>\$1,666,704,269</u>	<u>\$1,774,908,330</u>

* Deposited in the general fund by counties.

** All revenues including those which are eventually refunded or distributed to local governments; does not include municipal sales tax.

11 *** Sales tax on food repealed July 1, 1980.

TABLE 4

NET REVENUE TO STATE GENERAL FUND

<u>SOURCE</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Sales, Use & Severance Tax	\$ 527,175,377	\$ 613,572,917	\$ 540,591,812 ***	\$ 580,882,821	\$616,291,719
Income Tax	322,406,136	389,980,984	435,769,765	487,950,969	573,649,629
Luxury Tax	58,812,738	61,978,771	62,546,016	64,106,688	64,618,509
Estate Tax	8,745,622	12,601,638	10,554,080	12,569,641	13,123,774
Flight Property Tax	2,053,858	2,507,401	5,585,255	3,217,110	2,290,785
Private Car Tax	999,759	536,773	692,366	538,855	566,505
Nuclear Plan Assessment	-----	-----	-----	300,000	968,456
Department Total	\$ 920,193,490	\$1,081,178,484	\$1,055,739,294	\$1,149,566,084	\$1,271,509,377
State Property Tax *	84,621,457	34,194,839 **	84,349,439	88,393,124	77,626,564
TOTAL	<u>\$1,004,814,947</u>	<u>\$1,115,373,323</u>	<u>\$1,140,088,733</u>	<u>\$1,237,959,208</u>	<u>\$1,349,135,941</u>

* Deposited in the State General Fund by counties.

** State property tax rate for fiscal year 79-80 cut to \$.48 per \$100 assessed valuation from \$1.10 for the prior year.

*** Sales tax on food repealed July 1, 1980.

INCOME TAX

Major Features

Arizona income tax calculations use federal adjusted gross income for individuals and federal taxable income for corporations as starting points to compute taxable income. Both individuals and corporations are allowed to deduct federal and state income taxes paid.

Individual rates are graduated from a minimum of 2% on individual income of \$1,000 or joint income of \$2,000, to a maximum of 8% on individual income over \$6,000 or joint income over \$12,000. Individual tax brackets will be indexed to inflation beginning in the 1983 tax year.

Arizona withholds individual income tax from wages at rates of 10%, 15%, or 20% of federal withholding. Corporate income tax is levied on Arizona taxable income at rates graduated from 2.5% on income under \$1,000 to 10.5% on income over \$6,000.

Tables in this section highlight income tax collections and distributions as well as two features of the individual income tax. Changes in exemptions, deductions and credits indexed to inflation are shown in this section. Also several credits which directly reduce individual tax liability are included.

Distribution

State income tax collections are shared with Arizona municipalities as Urban Revenue Sharing. Each year, 15% of net collections from two years prior is distributed to the cities and towns. The remainder is deposited in the state general fund.

TABLE 5
ARIZONA INCOME TAX COLLECTIONS

Source	1978-79	1979-80	1980-81	1981-82	1982-83	Percent of Net Collections in 1982-83
<u>Withheld from Wages</u>						
Gross Revenue	\$199,701,449	\$269,412,512	\$325,366,394	\$417,219,768	\$400,596,831	
Refunds	45,119,383	70,936,406	94,131,315	128,411,544	114,328,748	
Charge-offs	65,297	99,717	153,624	112,643	181,838	
Net	<u>\$154,516,769</u>	<u>\$198,376,389</u>	<u>\$231,081,455</u>	<u>\$288,695,581</u>	<u>\$286,086,245</u>	44.62
<u>Individual & Fiduciaries</u>						
Gross Revenue	\$116,113,005	\$121,471,839	\$133,503,187	\$150,867,216	\$195,584,283	
Refunds	226,893	319,415	273,281	337,335	656,631	
Charge-offs	138,294	189,340	180,803	240,763	298,140	
Net	<u>\$115,747,818</u>	<u>\$120,963,084</u>	<u>\$133,049,103</u>	<u>\$150,289,118</u>	<u>\$194,629,512</u>	30.36
<u>Corporations</u>						
Gross Revenue	\$ 92,608,295	\$117,764,492	\$130,378,605	\$122,024,168	\$169,039,740	
Refunds	3,241,050	3,204,472	3,781,042	7,236,824	8,610,831	
Charge-offs	15,402	8,854	87,464	28,103	31,947	
Net	<u>\$ 89,351,843</u>	<u>\$114,551,166</u>	<u>\$126,510,099</u>	<u>\$114,759,241</u>	<u>\$160,396,962</u>	25.02
Sub-Total Net Collections	\$359,616,430	\$433,890,639	\$490,640,657	\$553,743,940	\$641,112,719	100.00
Less deposit to Urban Revenue Sharing Fund	<u>37,210,294</u>	<u>43,909,655</u>	<u>54,870,892</u>	<u>65,792,971</u>	<u>67,463,090</u>	
Net Revenue to State General Fund	<u>\$322,406,136</u>	<u>\$389,980,984</u>	<u>\$435,769,765</u>	<u>\$487,950,969</u>	<u>\$573,649,629</u>	

TABLE 6
EXEMPTIONS, DEDUCTIONS & CREDITS INDEXED TO INFLATION

<u>Tax Year</u>	<u>Personal Exemption</u>	<u>Blind Exemption</u>	<u>Age 65 and Over Exemption</u>	<u>Dependent Exemption</u>	<u>Standard Deduction %</u>	<u>Standard Deduction Limit¹</u>	<u>Maximum Renter's Credit</u>	<u>Maximum Property Tax Credit</u>
1977 (base year)	\$1,000	\$500	\$1,000	\$600	10	\$500/\$1,000	\$50	\$225
1978	1,101	551	1,101	661	11	551/1,101	83 ²	248
1979	1,226	613	1,226	736	12	613/1,226	92	276
1980	1,422	711	1,422	854	14	711/1,422	107	320
1981	1,589	795	1,589	954	16	795/1,589	120	358
1982	1,729	865	1,729	1,038	17	865/1,729	130	389

¹Amounts shown are for individual and married-filing-jointly returns.

²Base for renter's credit changed to \$75 in 1978.

TABLE 7

SELECTED INDIVIDUAL INCOME TAX CREDITS

Credit	1978-1979		1979-1980		1980-1981		1981-1982		1982-1983	
	Claimants	Credits	Claimants	Credits	Claimants	Credits	Claimants	Credits	Claimants	Credits
Solar Energy Credit	2,839	\$ 945,468	8,858	\$ 4,588,755	14,322	\$ 8,428,405	22,016	\$14,285,334	20,952	\$13,129,762
Residential Insulation Credit	20,318	1,384,019	35,527	2,397,942	35,223	2,553,627	36,985	3,052,230	31,332	2,487,967
Property Tax Credit	49,425	10,568,921	52,691	12,522,066	53,622	15,003,388	52,600	16,462,823	50,340	16,465,478
Renter's Credit	147,566	<u>11,150,767</u>	184,204	<u>15,461,802</u>	209,481	<u>20,663,868</u>	243,563	<u>26,653,372</u>	256,654	<u>30,664,820</u>
Total Credits		<u>\$24,049,175</u>		<u>\$34,970,565</u>		<u>\$46,649,288</u>		<u>\$60,453,759</u>		<u>\$62,748,027</u>

TABLE 8
DISTRIBUTION OF INCOME TAX AS URBAN REVENUE SHARING
TO MUNICIPALITIES IN 1982-83

<u>Cities by County</u>	<u>Amount</u>	<u>% of Total</u>	<u>Cities by County</u>	<u>Amount</u>	<u>% of Total</u>
APACHE			PIMA		
Eagar	\$ 101,635	.1381	Marana	\$ 60,959	.0828
St. Johns	122,647	.1667	Oro Valley	54,223	.0737
Springerville	52,875	.0718	South Tucson	238,667	.3243
COCHISE			Tucson	12,218,347	16.6019
Benson	154,616	.2101	PINAL		
Bisbee	260,516	.3540	Apache Junction	361,787	.4916
Douglas	475,512	.6461	Arizona City	18,893	.0257
Huachuca City	60,486	.0822	Casa Grande	545,175	.7408
Sierra Vista	908,091	1.2339	Coolidge	249,482	.3390
Tombstone	59,430	.0808	Eloy	227,232	.3088
Willcox	118,095	.1605	Florence	123,485	.1678
COCONINO			Kearny	96,355	.1309
Flagstaff	1,265,180	1.7191	Mammoth	69,408	.0943
Fredonia	37,872	.0515	Superior	167,511	.2276
Page	178,690	.2428	SANTA CRUZ		
Williams	82,517	.1121	Nogales	571,103	.7760
GILA			Patagonia	35,687	.0485
Globe	250,756	.3407	YAVAPAI		
Hayden	43,881	.0596	Chino Valley	104,075	.1414
Miami	98,904	.1344	Clarkdale	55,060	.0748
Payson	184,553	.2508	Cottonwood	165,690	.2251
Winkelman	38,600	.0524	Jerome	15,294	.0208
GRAHAM			Prescott	730,311	.9923
Pima	58,228	.0791	Prescott Valley	83,173	.1130
Safford	255,272	.3467	YUMA		
Thatcher	122,866	.1669	San Luis	70,864	.0963
GREENLEE			Somerton	209,789	.2851
Clifton	154,583	.2100	Wellton	33,174	.0451
Duncan	21,958	.0298	Yuma	1,566,185	2.1281
LA PAZ			TOTAL	\$ 73,596,099	100.00
Parker	92,588	.1258			
MARICOPA					
Avondale	297,441	.4042			
Buckeye	125,050	.1699			
Chandler	1,080,554	1.4682			
El Mirage	156,841	.2131			
Gila Bend	57,718	.0784			
Gilbert	208,187	.2829			
Glendale	3,538,557	4.8081			
Goodyear	105,373	.1432			
Guadalupe	164,088	.2230			
Mesa	5,551,637	7.5434			
Paradise Valley	425,390	.5780			
Peoria	448,164	.6090			
Phoenix	28,766,679	39.0872			
Scottsdale	3,227,205	4.3850			
Surprise	135,575	.1842			
Tempe	3,893,534	5.2904			
Tolleson	161,429	.2193			
Wickenburg	128,728	.1749			
Youngtown	82,080	.1115			
MOHAVE					
Kingman	337,097	.4580			
Lake Havasu City	579,332	.7872			
NAVAJO					
Holbrook	210,663	.2862			
Show Low	156,513	.2127			
Snowflake	127,818	.1737			
Taylor	69,735	.0948			
Winslow	288,446	.3919			

TABLE 9
Urban Revenue Sharing
1974-75 through 1982-83

1974-75	\$21,904,030
1975-76	26,558,140
1976-77	30,313,600
1977-78	31,405,355
1978-79	36,356,905
1979-80	42,997,581
1980-81	53,942,465
1981-82	65,083,596
1982-83	73,596,099

Figures may not add to total due to rounding.

SALES TAX

Major Features

Arizona's sales tax is a tax on the privilege of transacting business in the state. The rate ranges from 3/8 of 1% to 4% depending on the type of business; however, most sales are taxed at a 4% rate. The total sales tax rate is a combination of three separate taxes: transaction privilege tax, education excise tax and special education excise tax. A temporary 1% tax was added onto the 4% retail sales tax rate on June 1, 1983. This tax is set to expire June 30, 1984.

Three additional taxes usually considered to be sales taxes are use tax, bingo tax and rental occupancy tax. Use tax is imposed at 4% on all purchases of tangible personal property for which a sales tax was not paid. Arizona businesses using items from their inventory are also subject to use tax. Bingo tax revenues are a combination of license fees, a 2.5% lieu tax on net proceeds of small bingo games and a 1% tax on gross proceeds of games with sales over \$300 per week. Rental occupancy tax is levied at 2% on real property on a long-term lease entered into before December 1, 1967.

Distribution

The transaction privilege tax is shared with municipalities and counties in the state. Twenty-five percent of the tax goes to the cities and towns based on population. Another 33.6% of the transaction privilege tax is distributed to counties by a formula based on assessed valuation and sales in each county. Since 1980 cities and counties have also been reimbursed from the transaction privilege tax for their loss due to the removal of tax on food. The remainder of the transaction privilege tax goes to the state general fund. All other sales taxes are deposited in the state general fund.

Severance Tax

Law of 1982, Chapter 230, repealed the sales taxes on metalliferous metals and timber products and replaced both taxes with severance taxes.

The severance taxes are similar to the repealed sales taxes in some ways. The tax is administered like the sales tax -- same due dates and same forms. And the rates are identical -- 2½% on mining and 1½% on timbering.

However, significant differences do exist. The severance tax is charged at the time of production, rather than the time of sale. Secondly, the base for severance taxes on metalliferous minerals is the

greater of the "weighted mineral value" (essentially the cost of extracting the minerals and delivering them to the processing site) or a specified percent of the old sales tax base. This specified percent is due to decrease from 100% in 1982-83 to a floor of 50% by 1985-86. Third, the portion of severance tax distributed as transaction privilege tax will grow from 40% in 1982-83 to 80% in 1985-86.

The new law also created two temporary taxes. A percentage of the costs incurred by taxpayers processing metallic products purchased or severed out of state is subject to a 2½% tax. The portion of costs subject to the tax will decrease from 100% in 1982-83 to 0% after June 30, 1985. The distribution of this tax will mirror that of the severance tax. In addition, the "net severance base" of all metal-liferous minerals in 1982 year-end inventories became subject to a 2½% inventory tax. This tax was due in 12 monthly payments beginning in March 1983.

Municipal Sales Tax Collection Program

The Arizona Department of Revenue is authorized to contract with Arizona cities and towns to administer the collection of municipal sales tax. The Department collects the local taxes and remits the amount collected to each city weekly. During 1982-83, 59 cities and towns participated in this program.

TABLE 10

GROSS SALES, USE & SEVERANCE TAX COLLECTIONS

<u>Source</u>	<u>1978-79</u>	<u>1979-1980</u>	<u>1980-1981</u>	<u>1981-1982</u>	<u>1982-1983</u>
Transaction Privilege	\$302,812,573	\$344,755,193	\$315,333,779	\$339,048,243	\$357,098,095
Education Excise	292,999,847	335,360,847	306,054,592	326,825,752	349,085,972
Special Education	98,985,428	121,759,143	114,897,883	125,120,498	125,845,679
Use	10,657,575	15,267,048	14,016,182	13,795,054	15,702,202
Bingo	127,072	142,458	159,422	276,216	388,758
Rental Occupancy	155,854	147,904	241,993	113,272	76,758
GROSS STATE COLLECTIONS	\$705,738,349	\$817,432,593	\$750,703,851	\$805,179,035	\$848,197,357
City Sales Tax	20,708,038	24,024,045	27,408,078	31,132,392	34,141,550
GROSS COLLECTIONS	<u>\$726,446,387</u>	<u>\$841,456,638</u>	<u>\$778,111,929</u>	<u>\$836,311,427</u>	<u>\$882,338,907</u>

TABLE 11

DISTRIBUTION OF SALES TAX COLLECTIONS
1982-83

Net to State General Fund	\$ 616,291,719
Net to Cities	93,527,936
Net to Counties	135,951,094
Refunds/Charge offs	2,426,608
TOTAL GROSS COLLECTIONS	<u>\$ 848,197,357</u>

TABLE 12
SALES AND SEVERANCE TAX RATES
1982-83

<u>Taxable Activities</u>	<u>Transaction Privilege Tax</u>	<u>Education Excise Tax</u>	<u>Special Education Excise Tax</u>	<u>Total Tax</u>
1. Transporting & Towing	1%	1%	2%	4%
2. Mining, Oil & Gas	1%	$\frac{1}{2}\%$	1%	$2\frac{1}{2}\%$
3. Timbering	1%	$\frac{1}{2}\%$	--	$1\frac{1}{2}\%$
4. Utilities	1%	1%	2%	4%
5. Communications	1%	1%	2%	4%
6. Railroads & Aircraft	1%	1%	2%	4%
7/8 Private Car/Pipelines	1%	1%	2%	4%
9. Publishing	1%	1%	2%	4%
10. Job Printing & Advtg.	1%	1%	2%	4%
11. Restaurants & Bars	2%	2%	--	4%
12. Amusements	2%	2%	--	4%
13. Real Property Rentals	2%	1%	--	3%
14. Personal Property Rentals	2%	2%	--	4%
15. Contracting	1%	1%	2%	4%
16. Feed Wholesale	$\frac{1}{4}\%$	$1\frac{1}{8}\%$	--	$3\frac{1}{8}\%$
17. Retail	2%	2%	--	4%
18. Local Advertising ²	1%	1%	1%	3%
19. Mining Severance ³	1%	$\frac{1}{2}\%$	1%	$2\frac{1}{2}\%$
20. Timbering Severance ³	1%	$\frac{1}{2}\%$	--	$1\frac{1}{2}\%$
21. Mining Inventory ⁴	1%	$\frac{1}{2}\%$	1%	$2\frac{1}{2}\%$

¹Temporarily increased to 5% from June 1, 1983 to June 30, 1984; extra 1% is deposited in the general fund.

²Sales tax on local advertising went from 4% to 3% on January 1, 1983.

³Sales tax on timbering & metalliferous mining replaced by severance tax on January 1, 1983; taxes shown under education excise and special education excise are actually general fund severance taxes.

⁴One-time tax levied on 1982 year-end inventory of mined metallic products.

TABLE 13
NET TAXABLE SALES
BY SALES TAX CLASSIFICATION

Classification	1978-79	% of Total	1979-80	% of Total	1980-81 ¹	% of Total	1981-82	% of Total	1982-83 ⁶	% of Total
Transporting and Towing	\$ 9,252,765	0.05	\$ 10,451,819 ²	0.05	\$ 8,766,996 ²	0.05	\$ 10,528,834	0.05	\$ 39,544,993	0.18
Mining, Oil and Gas	1,888,422,248	10.29	2,779,034,700 ²	13.04	1,646,989,150 ²	8.61	1,739,765,417	8.45	701,533,137	5.60
Mining Severance ³	-----	-----	-----	-----	-----	-----	-----	-----	404,539,212	
Mining Inventory ³	-----	-----	-----	-----	-----	-----	-----	-----	96,436,942	
Timbering	80,091,775	0.44	64,626,605	0.30	65,815,726	0.34	56,331,787	0.27	28,566,640	0.16
Timbering Severance ³	-----	-----	-----	-----	-----	-----	-----	-----	4,943,068	
Utilities	1,392,683,999	7.59	1,672,432,612	7.85	1,764,919,673	9.23	2,266,682,477	11.01	2,421,231,822	11.27
Communications	378,701,174	2.07	430,905,536	2.02	510,643,970	2.67	534,096,615	2.60	617,688,371	2.87
Railroads and Aircraft	26,607,459	0.15	30,983,438	0.15	34,081,122	0.18	38,823,556	0.19	23,519,300	0.11
Private Car and Pipelines	2,361,055	0.01	1,239,150	0.01	2,488,909	0.01	799,412	0.00	1,097,106	0.00
Publishing	151,068,462	0.82	183,890,400	0.86	209,765,944	1.10	226,195,356	1.10	174,240,373	0.81
Job Printing & Advtg.	169,229,433	0.92	190,809,200	0.89	205,768,138	1.08	249,149,303	1.21	259,925,051	1.21
Local Advertising	-----	-----	-----	-----	-----	-----	-----	-----	126,960,483	0.59
Restaurants and Bars	1,089,965,858	5.94	1,242,332,159	5.83	1,346,845,864	7.04	1,462,449,415	7.10	1,707,636,745	7.95
Amusements	118,592,689	0.65	133,072,758	0.62	154,804,841	0.81	184,061,602	0.89	217,340,721	1.01
Real Property Rentals	769,097,320	4.19	810,102,452	3.80	921,099,879	4.82	1,059,853,273	5.15	1,211,911,466	5.64
Personal Property Rentals	367,457,087	2.00	468,766,163	2.20	523,025,005	2.74	573,953,670	2.79	826,652,701	3.85
Contracting	2,279,148,658	12.42	2,397,908,515	11.25	2,254,556,937	11.79	2,164,763,985	10.52	2,278,537,499	10.60
Wholesale Feed	199,699,312	1.09	218,256,656	1.02	260,971,896 ⁵	1.37	223,713,356	1.09	215,895,028	1.00
Retail	9,423,582,095	51.37	10,681,015,551	50.11	9,208,456,105 ⁵	48.16	9,793,526,874	47.58	10,133,601,513	47.15
TOTAL	\$18,345,961,389	100.00	\$21,315,827,714	100.00	\$19,119,000,155	100.00	\$20,584,694,932	100.00	\$21,491,802,171	100.00

¹ Due to sales tax filing changes, FY 1980-81 taxable income is not directly comparable with FY 1979-80 because collections for June 1981 did not represent a full month of taxable activity.

² Actual mining taxable incomes after adjustments made in 1980-81.

³ Sales tax on timbering and metalliferous mining replaced by severance tax on Jan. 1, 1983 (see Severance Tax Section).

⁴ Local advertising designated a separate class on Jan 1, 1983 when tax rate dropped from 4% to 3%.

⁵ Retail sales of food for home consumption not taxable effective July 1, 1980.

⁶ Due to sales tax filing changes, FY 1982-83 taxable income is not directly comparable to FY 1981-82 because collections for May 1983 represented more than a full month of taxable activity.

TABLE 14
STATE SALES TAX DISTRIBUTION TO COUNTIES
FOR FISCAL YEAR 1982-83

<u>County</u>	<u>Distribution of Transaction Privilege Tax</u>	<u>Food Tax Reimbursement¹</u>	<u>Total Distribution²</u>
Apache	\$ 1,265,500	\$ 190,343	\$ 1,455,844
Cochise	2,602,332	398,781	3,001,113
Coconino	3,946,920	554,191	4,501,111
Gila	1,841,421	262,890	2,104,311
Graham	572,043	109,845	681,888
Greenlee	1,123,007	114,219	1,237,226
La Paz	287,800	47,042	334,842
Maricopa	69,544,981	9,489,405	79,034,386
Mohave	2,623,238	441,929	3,065,166
Navajo	3,325,185	517,693	3,842,879
Pima	21,802,738	3,093,695	24,896,433
Pinal	3,380,946	454,424	3,835,370
Santa Cruz	753,996	131,980	885,976
Yavapai	3,136,499	489,540	3,626,040
Yuma	<u>3,006,042</u>	<u>442,470</u>	<u>3,448,511</u>
 TOTAL	 <u>\$119,212,647</u>	 <u>\$16,738,446</u>	 <u>\$135,951,094</u>

County distributions are based on relative assessed valuation and sales in the county.

¹Counties are reimbursed for 100% of their loss from removal of the sales tax on food.

²Figures may not add to totals due to rounding.

TABLE 15
STATE SALES TAX DISTRIBUTION TO MUNICIPALITIES
FOR FISCAL YEAR 1982-83

County/City	Distribution of Transaction Privilege Tax	Food Tax Reimbursement ¹	Total Distribution ²	County/City	Distribution of Transaction Privilege Tax	Food Tax Reimbursement ¹	Total Distribution ²
APACHE				Surprise-	\$ 163,343	\$ 9,109	\$ 172,452
Eagar	\$ 122,460	---	\$ 122,460	Tempe	4,691,103	261,607	4,952,710
St. Johns	147,746	8,239	155,986	Tolleson	194,476	870	195,347
Springerville	63,687	3,553	67,239	Wickenburg	155,094	8,649	163,743
COCHISE				Youngtown	98,892	5,515	104,407
Benson	186,493	---	186,493	MOHAVE			
Bisbee	313,913	17,506	331,418	Kingman	406,141	22,649	428,790
Douglas	572,935	31,951	604,886	Lake Havasu City	698,002	38,925	736,927
Huachuca City	72,884	4,065	76,948	NAVAJO			
Sierra Vista	1,094,111	61,015	1,155,126	Holbrook	253,808	14,154	267,962
Tombstone	71,581	4,004	75,585	Show Low	188,540	---	188,540
Willcox	142,321	7,937	150,258	Snowflake	154,029	8,590	162,619
COCONINO				Taylor	83,999	4,687	88,685
Flagstaff	1,524,371	85,009	1,609,380	Winslow	347,537	---	347,537
Fredonia	45,646	2,546	48,192	PIMA			
Page	215,293	12,006	227,299	Marana	73,435	4,095	77,531
Williams	99,412	5,544	104,956	Oro Valley	65,337	3,644	68,981
GILA				South Tucson	287,584	16,038	303,621
Globe	302,130	16,849	318,980	Tucson	14,741,154	822,065	15,563,219
Hayden	52,865	2,948	55,813	PINAL			
Miami	119,170	6,646	125,816	Apache Junction	435,882	24,308	460,189
Payson	222,335	---	222,335	Arizona City	16,119	896	17,015
Winkelman	46,479	2,593	49,072	Casa Grande	656,845	---	656,845
GRAHAM				Coolidge	300,608	16,764	317,372
Pima	70,153	---	70,153	Eloy	273,766	15,267	289,033
Safford	307,541	17,151	324,692	Florence	156,634	8,692	165,325
Thatcher	148,012	8,255	156,267	Kearny	116,081	6,473	122,554
GREENLEE				Mammoth	83,616	4,665	88,282
Clifton	186,234	10,386	196,620	Superior	201,838	11,256	213,094
Duncan	26,433	1,474	27,907	SANTA CRUZ			
LA PAZ				Nogales	688,074	38,372	726,446
Parker	111,542	6,220	117,762	Patagonia	43,011	2,399	45,410
MARICOPA				YAVAPAI			
Avondale	358,358	19,985	378,343	Chino Valley	125,394	6,993	132,387
Buckeye	150,659	8,401	159,059	Clarkdale	66,339	---	66,339
Chandler	1,301,899	72,603	1,374,502	Cottonwood	199,621	11,132	210,753
El Mirage	188,977	10,539	199,516	Jerome	18,567	1,037	19,604
Gila Bend	69,533	3,950	73,482	Prescott	879,889	49,068	928,958
Gilbert	250,862	13,990	264,852	Prescott Valley	100,203	5,588	105,791
Glendale	4,263,409	237,756	4,501,165	YUMA			
Goodyear	127,649	7,117	134,765	San Luis	85,384	---	85,384
Guadalupe	197,676	11,024	208,700	Somerton	252,752	14,095	266,847
Mesa	6,888,856	373,015	7,061,871	Wellton	39,976	2,239	42,215
Paradise Valley	514,933	28,716	543,649	Yuma	1,889,123	105,350	1,994,473
Peoria	539,973	30,112	570,085				
Phoenix	34,660,867	1,932,919	36,593,786	TOTAL	\$88,699,886	\$4,828,050	\$93,527,936
Scottsdale	3,888,294	216,837	4,105,131				

City distributions are based on relative population.

¹ In 1982-83, cities were reimbursed for 40% of their loss from the removal of tax on food. Some cities did not receive the reimbursement pursuant to A.R.S. 42-1342.01.

² Figures may not add to totals due to rounding.

TABLE 16
MUNICIPAL SALES TAX COLLECTION PROGRAM
COLLECTIONS BY CITY FOR 1982-83

<u>City</u>	<u>Rate</u>	<u>Collections</u>	<u>City</u>	<u>Rate</u>	<u>Collections</u>
Apache Junction	1%	\$1,050,640	Oro Valley	2%	\$350,945
Avondale	1%	237,420	Page	1%	505,218
Benson	2%	371,513	Paradise Valley	1%	665,942
Bisbee	2%	458,611	Parker	2%	514,682
Buckeye	1%	235,976	Payson	2%	1,087,775
Casa Grande	1.5%	1,829,908	Pima	1%	28,318
Clarkdale	1%	17,833	Prescott Valley	1%	181,062
Clifton	1%	106,328	Safford	1%	629,442
Coolidge	1%	401,200	St. Johns	1%	170,158
Cottonwood	1%	579,819	San Luis	2%	226,290
Douglas	2%	1,256,292	Show Low	2%	1,260,640
Duncan	2%	61,182	Sierra Vista	1%	1,444,702
Eagar	2%	122,767	Snowflake	1%	129,864
El Mirage	2%	191,730	Somerton	1%	54,713
Eloy	1½%	297,948	South Tucson	2%	722,107
Florence	2%	95,877	Springerville	2%	458,013
Fredonia	1%	32,069	Superior	1%	56,829
Gila Bend	2%	236,746	Surprise	1%	35,369
Gilbert	1%	174,390	Taylor	1%	26,012
Glendale	1%	6,976,136	Thatcher	1%	203,631
Globe	1%	468,913	Tolleson	2%	229,879
Goodyear	1%	508,225	Tombstone	2%	207,938
Guadalupe	2%	155,106	Wellton	2%	108,266
Holbrook	2%	857,170	Wickenburg	1%	400,507
Huachuca City	1%	32,076	Willcox	2%	404,162
Jerome	2%	44,749	Williams	2%	375,122
Kearny	1%	82,210	Winslow	2%	815,044
Kingman	2%	1,787,859	Youngtown	1%	152,143
Marana	2%	75,264	Yuma	1%	3,889,182
Miami	1%	61,643			
			TOTAL		\$34,141,550

TABLE 17
MUNICIPAL SALES TAX COLLECTION PROGRAM
1974-75 through 1982-83

<u>Fiscal Year</u>	<u>Total Collections</u>	<u>Number of Cities in Program</u>
1974-75	\$ 7,200,000	31
1975-76	10,679,373	37
1976-77	12,979,383	40
1977-78	16,107,372	43
1978-79	20,708,038	50
1979-80	24,024,045	52
1980-81	27,408,078	57
1981-82	31,132,392	59
1982-83	34,141,550	59

Figures may not add to total due to rounding

LUXURY TAX

The luxury tax on cigarettes and tobacco is levied on distributors and the luxury tax on alcoholic beverages is levied on liquor wholesalers. The net tax collections are deposited in the state general fund.

PRODUCT	LUXURY TAX RATE
<u>Tobaccos</u>	
Cigarettes	
package of 20 or fractional part	\$.13
Cigars	
Small cigars weighing not more than 3 lbs. per M, package of 20 or less	\$.02
Selling for 5¢ or less, each cigar	\$.00333
Selling for more than 5¢, each cigar	\$.01
Smoking tobacco, snuff, fine cut, chewing, etc. - per oz.	\$.01
Cavendish, plug & twist - per oz.	\$.0025
<u>Alcoholic Beverages</u>	
Spirituuous Liquors	
per gallon	\$2.50
Vinous Liquors - more than 24% alcohol	
per gallon	\$2.50
Vinous Liquors - less than 24% alcohol	
per 16 oz. container or less	\$.0525
per gallon	\$.42
Malt Liquor (Beer)	
per gallon	\$.08
per barrel (31 gallons)	\$2.48
Malt Extract - per pound	\$.15

TABLE 18
LUXURY TAX COLLECTIONS

<u>Source</u>	<u>1978-1979</u>	<u>1979-1980</u>	<u>1980-1981</u>	<u>1981-1982</u>	<u>1982-1983</u>	<u>Percent of Collections in 1982-1983</u>
Spirituos Liquor Net Revenue	<u>\$12,684,041</u>	<u>\$13,227,227</u>	<u>\$13,593,465</u>	<u>\$13,482,032</u>	<u>\$13,890,962</u>	21.50
Vinous Liquor Net Revenue	<u>2,361,719</u>	<u>2,480,932</u>	<u>2,632,740</u>	<u>2,967,247</u>	<u>3,008,457</u>	4.66
Malt Liquor Net Revenue	<u>6,009,599</u>	<u>6,386,712</u>	<u>6,574,829</u>	<u>6,891,216</u>	<u>6,813,120</u>	10.54
Tobacco - All Types						
Gross Revenue	38,977,667	41,232,502	40,083,323	42,222,950	42,467,848	
Refunds/Discounts	1,221,881	1,349,354	339,096	1,459,002	1,563,178	
Licenses	1,593	752	755	2,245	1,300	
Net Revenue	<u>37,757,379</u>	<u>39,883,900</u>	<u>39,744,982</u>	<u>40,766,193</u>	<u>40,905,970</u>	63.30
Total Net Revenue	<u>\$58,812,738</u>	<u>\$61,978,771</u>	<u>\$62,546,016</u>	<u>\$64,106,688</u>	<u>\$64,618,509</u>	100.00

ESTATE TAX

The Arizona estate tax is an excise tax on the transfer of property after death. Arizona does not impose inheritance or gift taxes. Estate taxes differ from inheritance taxes because the estate tax is imposed on the net taxable estate before distribution, whereas the inheritance tax is imposed at varying rates on shares of the estate received by beneficiaries.

The estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes reduced by the portion of such credit, if any, paid to another state and attributable to realty or tangible personal property in that state. The tax for a non-resident decedent is that portion of the federal credit for state death taxes attributable to tangible personal property or realty owned by the decedent and located in the state.

The Estate Tax section is also responsible for the collection, safekeeping and disposition of unclaimed property, escheated estates and unclaimed shares and dividends.

The unclaimed property unit receives funds and other personal property which is presumed to be abandoned from various financial institutions. The largest percentage of unclaimed property is comprised of contents of safe deposit boxes on which the rent has not been paid for one year, bank accounts with no activity for seven years, insurance benefits not claimed in seven years, utility company deposits not claimed in seven years, and travelers checks not cashed in fifteen years. Cash received is deposited immediately to the general fund. Assets other than cash are eventually sold at public auction and the proceeds deposited in the general fund.

The unit also processes escheated estates. When a person dies without leaving a will and with no known heirs, his or her property reverts to the state as original and ultimate proprietor. Funds received from escheated estates are deposited in the permanent school fund.

Funds received from the sale of unclaimed shares and dividends of any corporation incorporated under the laws of Arizona are deposited in the permanent school fund.

TABLE 19
ESTATE TAX COLLECTIONS

<u>Source</u>	<u>1978-1979</u>	<u>1979-1980</u>	<u>1980-1981</u>	<u>1981-1982</u>	<u>1982-1983</u>	<u>Percent of Collections in 1982-1983</u>
Estate Taxes	\$8,475,196	\$12,258,772	\$10,139,409	\$12,637,301	\$12,492,305	
Refunds	46,695	141,122	239,068	334,585	260,954	
Net	<u>8,428,501</u>	<u>12,117,660</u>	<u>9,900,341</u>	<u>12,302,716</u>	<u>12,231,351</u>	90.67
Unclaimed Property	354,745	425,807	1,053,513	571,366	995,848	
Refunds	37,624	99,109	485,862	304,441	103,425	
Net	<u>317,121</u>	<u>326,698</u>	<u>567,651</u>	<u>266,925</u>	<u>892,423</u>	6.62
Escheated Estates	100,674	156,164	74,252	189,532	366,293	
Refunds	0	0	18,886	0	2,571	
Net	<u>100,674</u>	<u>156,164</u>	<u>55,366</u>	<u>189,532</u>	<u>363,722</u>	2.70
Unclaimed Dividends	10,584	1,138	30,722	796	1,676	
Refunds	1,971	22	0	0	0	
Net	<u>8,613</u>	<u>1,116</u>	<u>30,722</u>	<u>796</u>	<u>1,676</u>	0.01
Total Net Revenue	<u>\$8,854,909</u>	<u>\$12,601,638</u>	<u>\$10,554,080</u>	<u>\$12,759,969</u>	<u>\$13,489,172</u>	<u>100.00</u>

TABLE 20
DISTRIBUTION OF ESTATE TAX COLLECTIONS
1982-83

Net to General Fund	\$13,123,774
Net to Permanent School Fund	<u>365,398</u>
Total Net Collections	<u>\$13,489,172</u>

PROPERTY TAX

Tax Base

In Arizona the property tax is an ad valorem tax, or tax on the value of property. For tax purposes, all properties in Arizona carry two values: limited value and full cash value. Taxes based on the limited value, called primary property taxes, are used to pay for the basic maintenance and operations of a jurisdiction. This value is limited in growth to 10% per year or 25 per cent of the difference between the prior year's limited value and the new full cash value, whichever is higher. The full cash value is unlimited and floats with the market. Taxes based on this value are referred to as secondary property taxes and are used to pay for bonded indebtedness, voter-approved overrides and special districts.

All taxable property in Arizona is classified according to its current use. Each class has a different assessment ratio which is the percentage of the value used as a tax base. The assessment ratios in 1983 are shown below.

<u>Class</u>	<u>1983 Ratios</u>
1. Producing mines, standing timber	38%
2. Telephone and telegraph property, gas, electric and water utilities, pipelines	38%
3. Commercial and industrial property	25%
4. Agricultural and vacant land	16%
5. Owner-occupied residential property	10%
6. Rental residential property	18%
7. Railroad and private rail car property, airline flight property	31% (primary) 30% (secondary)
8. Historic property	5%

Three changes in 1983 will exert upward pressure on taxes of locally assessed properties. The first is the catch-up provision on limited values mentioned above. Secondly, assessment ratios on centrally-valued property in Class 1 dropped to 38% from 52% and on Class 2, the ratio went from 44% to 38%. A smaller tax base in centrally valued properties means taxing entities must charge more on the remaining properties to make up for the loss. Third, the Property Tax Equity Program required significant land reappraisal in several counties to adjust values to acceptable levels of market value appraisal. While this program adjusted land values upward to more realistic values, this helped hold taxes down on other locally assessed property.

Assessment Responsibility

Duties of property appraisal are divided between the state and counties.

The Arizona Department of Revenue appraises utilities, railroads, producing mines and other complex or geographically dispersed properties. Values determined by the department for those properties are transmitted to the County Board of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

County Assessors, utilizing standards established by the department, are responsible for appraisal of most classes of property, including residential, commercial and industrial, and agricultural properties.

Tax Collection and Distribution

With the two exceptions noted below, County Treasurers collect all property taxes and distribute receipts to all taxing entities. The state property tax collected by the counties is deposited in the state general fund.

Taxes levied on airline flight property and private rail car property are collected by the Department of Revenue and deposited in the state general fund.

Nuclear Plan Assessment

Beginning in 1981-82, the Department of Revenue was charged with collecting a special assessment from corporations constructing or operating commercial nuclear generating stations. The money supports development and maintenance of a state plan for off-site response to an emergency at a nuclear generating station. The Department of Revenue collected \$968,456 for this purpose in 1982-83.

TABLE 21
DEPARTMENT OF REVENUE PROPERTY TAX COLLECTIONS

<u>Fiscal Year</u>	<u>Flight Property Tax</u>	<u>Private Rail Car Property Tax</u>	<u>Nuclear Plan Assessment</u>
1974-75	\$2,205,999	\$1,295,494	-----
1975-76	1,782,664	1,389,157	-----
1976-77	2,012,487	1,277,441	-----
1977-78	2,064,993	1,348,215	-----
1978-79	2,053,858	999,759 ¹	-----
1979-80	2,507,401	536,773	-----
1980-81	5,585,255 ²	692,366	-----
1981-82	3,217,110 ²	538,855	\$300,000
1982-83	2,290,785	566,505	968,456

¹Assessment ratio lowered from 60% to 36%

²Tax base revised.

TABLE 22
NET ASSESSED VALUATION BY COUNTY

County	1981		1982		1983*	
	Limited Value (Primary)	Full Cash Value (Secondary)	Limited Value (Primary)	Full Cash Value (Secondary)	Limited Value (Primary)	Full Cash Value (Secondary)
Apache	\$ 144,439,051	\$ 146,513,926	\$ 192,190,712	\$ 196,146,611	\$ 220,320,285	232,214,277
Cochise	247,885,278	256,960,520	259,849,779	271,152,739	255,285,297	279,726,165
Coconino	362,584,555	378,653,526	391,566,076	426,768,014	398,018,093	429,410,776
Gila	177,521,740	182,614,405	177,661,112	186,784,029	151,916,932	165,910,046
Graham	52,484,660	54,389,406	55,110,571	56,759,929	51,995,889	56,227,619
Greenlee	145,322,275	146,974,169	108,223,922	110,629,824	75,530,133	76,622,967
La Paz	-----	-----	-----	-----	55,822,973	62,890,907
Maricopa	4,537,736,695	5,331,239,391	5,257,661,523	6,034,569,481	6,372,193,869	7,477,212,494
Mohave	247,300,545	263,616,190	266,702,791	295,850,474	280,835,768	322,797,549
Navajo	438,348,196	445,417,531	492,101,686	507,227,951	460,120,056	489,479,974
Pima	1,620,475,484	1,766,388,868	1,777,905,368	2,059,662,607	1,895,442,002	2,207,615,754
Pinal	310,362,899	322,494,744	305,818,135	318,118,781	290,224,245	323,347,554
Santa Cruz	58,533,054	71,183,690	62,782,295	72,286,975	70,750,414	74,017,844
Yavapai	298,652,070	336,504,561	316,080,100	355,579,310	315,106,288	366,041,350
Yuma	243,085,093	250,696,890	267,234,811	286,184,474	227,492,331	254,633,808
TOTAL	<u>\$8,884,731,595</u>	<u>\$9,953,647,817</u>	<u>\$9,930,888,881</u>	<u>\$11,177,721,199</u>	<u>\$11,121,054,575</u>	<u>\$12,818,149,084</u>

* 1983 values include some estimates of unsecured personal property. Final values will be printed in the 1983 Abstract of Assessment Roll.

TABLE 23
PROPERTY ASSESSMENT RESPONSIBILITY
1983

County	LIMITED NET ASSESSED VALUES*				FULL CASH NET ASSESSED VALUES*			
	Department-Valued		Assessor-Valued		Department-Valued		Assessor-Valued	
	Amount	% of County	Amount	% of County	Amount	% of County	Amount	% of County
Apache	\$ 172,589,367	78.3	\$ 47,730,918	21.7	\$ 172,671,114	74.4	\$ 59,543,163	25.6
Cochise	116,744,982	45.7	138,540,315	54.3	117,610,206	42.0	162,115,959	58.0
Coconino	216,948,233	54.5	181,069,860	45.5	217,464,393	50.6	211,946,383	49.4
Gila	64,952,575	42.8	86,964,357	57.2	64,998,886	39.2	100,911,160	60.8
Graham	9,689,393	18.6	42,306,496	81.4	10,064,459	17.9	46,163,160	82.1
Greenlee	58,491,906	77.4	17,038,227	22.6	58,549,516	76.4	18,073,451	23.6
La Paz	25,521,776	45.7	30,301,197	54.3	25,572,093	40.7	37,318,814	59.3
Maricopa	1,295,962,556	20.3	5,076,231,313	79.7	1,298,183,150	17.4	6,179,029,344	82.6
Mohave	83,876,207	29.9	196,959,561	70.1	83,922,395	26.0	238,875,154	74.0
Navajo	325,468,304	70.7	134,651,752	29.3	325,976,073	66.6	163,503,901	33.4
Pima	396,939,854	20.9	1,498,502,148	79.1	401,642,083	18.2	1,805,973,671	81.8
Pinal	122,255,317	42.1	167,968,928	57.9	122,896,206	38.0	200,451,348	62.0
Santa Cruz	13,052,480	18.4	57,697,934	81.6	13,189,609	17.8	60,828,235	82.2
Yavapai	96,523,337	30.6	218,582,951	69.4	96,862,773	26.5	269,178,577	73.5
Yuma	44,452,159	19.5	183,040,172	80.5	44,836,985	17.6	209,796,823	82.4
ARIZONA	<u>\$3,043,468,446</u>	27.4	<u>\$8,077,586,129</u>	72.6	<u>\$3,054,439,941</u>	23.8	<u>\$9,763,709,143</u>	76.2

* does not include Salt River Project, airline flight property or private rail car property

TABLE 24
AVERAGE PROPERTY TAX RATES

Source	1980		1981		1982		1983	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
School Districts *	\$3.84	\$.96	\$3.62	\$.83	\$3.45	\$.86	\$3.60	\$.83
Counties	2.23	.31	2.15	.19	2.11	.23	2.10	.32
State	1.25	-	.95	-	.75	-	.75	-
Cities	.40	.32	.38	.30	.37	.30	.37	.31
Community Colleges	.84	.04	.77	.03	.79	.01	.79	.00
Special Districts	-	.41	-	.38	-	.46	-	.47
TOTAL	<u>\$8.57</u>	<u>\$2.03</u>	<u>\$7.87</u>	<u>\$1.73</u>	<u>\$7.47</u>	<u>\$1.86</u>	<u>\$7.61</u>	<u>\$1.93</u>

Figures may not add to totals due to rounding.

* School district rate includes unorganized school districts.

TABLE 25
SUMMARY OF PRIMARY TAX LEVIES
FOR 1983 - 1984

County	Net Assessed Valuation	State	County	Cities and Towns	Community Colleges	Schools	Unorganized School Dist.	Total Levies
Apache	\$ 220,320,285	\$ 1,652,402	\$ 1,380,477	\$ 0	\$ 0	\$ 5,982,716	\$ 0	\$ 9,015,595
Cochise	255,285,297	1,914,640	7,954,964	602,673	3,824,680	6,016,251	0	20,313,208
Coconino	398,018,093	2,985,136	3,564,866	2,142,973	0	13,835,835	0	22,528,810
Gila	151,916,932	1,139,377	5,980,089	670,106	0	6,137,345	0	13,926,917
Graham	51,995,889	389,969	1,333,539	89,614	717,751	1,332,702	0	3,863,575
Greenlee	75,530,133	566,476	543,213	4,585	0	2,603,668	0	3,717,942
La Paz	55,822,973	418,672	1,211,135	0	903,345	2,172,414	0	4,705,566
Maricopa	6,372,193,869	47,791,454	97,060,969	30,286,760	49,021,392	228,661,405	0	452,821,980
Mohave	280,835,768	2,106,268	7,105,145	969,600	2,695,944	11,951,971	0	24,828,928
Navajo	460,120,056	3,450,990	2,770,046	186,086	3,227,530	8,843,537	0	18,478,189
Pima	1,895,442,002	14,215,815	75,610,133	2,878,700	13,777,000	78,363,058	0	184,844,706
Pinal	290,224,245	2,176,682	13,434,959	815,369	4,878,211	10,379,139	0	31,684,360
Santa Cruz	70,750,414	530,628	2,401,835	0	0	2,684,505	0	5,616,968
Yavapai	315,106,288	2,363,297	7,715,531	441,879	5,400,675	12,894,106	0	18,815,488
Yuma	227,492,331	1,706,192	5,504,890	1,720,000	3,681,351	8,963,350	0	21,575,783
ARIZONA	<u>\$11,121,054,575</u>	<u>\$83,407,998</u>	<u>\$233,571,791</u>	<u>\$40,808,345</u>	<u>\$88,127,879</u>	<u>\$400,822,002</u>	<u>\$ 0</u>	<u>\$846,738,015</u>
Percent of Total Levies	-----	9.85%	27.58%	4.82%	10.41%	47.34%	0.00%	100.00%
Average Primary Tax Rate:	<u>\$ 7.61</u>							

TABLE 26
SUMMARY OF SECONDARY TAX LEVIES
FOR 1983 - 1984

County	Net Assessed Valuation	County	Cities and Towns	Community Colleges	Schools	All Other	Unorganized School Dist.	Total Levies
Apache	\$ 232,214,277	\$ 614,927	\$ 0	\$ 0	\$ 4,645,192	\$ 253,832	\$ 0	\$ 5,513,951
Cochise	279,726,165	2,332,065	493,313	0	2,812,196	744,907	0	6,382,481
Coconino	429,410,776	0	852,800	0	3,853,747	1,640,227	0	6,346,774
Gila	165,910,046	581,015	35,336	0	1,618,438	577,489	0	2,812,278
Graham	56,227,619	0	0	95,643	1,030,920	80,588	0	1,207,151
Greenlee	76,622,967	0	0	0	642,426	14,750	0	657,176
La Paz	62,890,907	0	0	0	371,500	545,791	0	917,291
Maricopa	7,477,212,494	17,945,309	32,689,191	0	60,480,620	34,665,746	1,083,170	146,864,036
Mohave	322,797,549	440,300	292,615	0	4,329,985	2,574,329	0	7,637,229
Navajo	489,479,974	341,750	84,100	0	7,600,883	2,940,449	0	10,967,182
Pima	2,207,615,754	17,907,507	4,181,107	0	10,352,046	11,272,728	0	43,713,388
Pinal	323,347,554	168,148	77,469	295,434	3,283,244	1,413,247	0	5,237,542
Santa Cruz	74,017,844	0	0	0	1,004,647	619,193	0	1,623,840
Yavapai	366,041,350	103,975	213,680	0	1,768,595	2,153,701	0	4,239,951
Yuma	254,633,808	1,250,000	204,263	0	1,419,975	787,875	0	3,662,113
ARIZONA	<u>\$12,818,149,084</u>	<u>\$41,684,996</u>	<u>\$39,123,874</u>	<u>\$ 391,077</u>	<u>\$105,214,414</u>	<u>\$60,284,852</u>	<u>\$1,083,170</u>	<u>\$247,782,383</u>
Percent of Total Levies	-----	16.82%	15.79%	0.16%	42.46%	24.33%	0.44%	100.00%
Average Secondary Tax Rate:	<u>\$1.93</u>							

REVIEW OF 1983 LEGISLATION

36th LEGISLATURE - FIRST REGULAR SESSION

INCOME AND WITHHOLDING TAX

Chapter 4
HB 2003

Requires withholding to be paid on the same payment schedule as the federal except employers with an average quarterly withholding of \$1,500 or less, who will pay on a quarterly basis. Requires 90% of tax liability to be paid in order to receive an extension (for 1982 returns extensions may be granted if 75% is received on or before June 15, 1983). Requires withholding on gambling winnings and taxing lottery winnings in excess of \$5,000 per year. Requires corporations with an estimated liability of \$1,000 or more to make estimated tax payments (no payments required from July 1, 1983, to December 31, 1983). Requires individuals with 10% of their federal liability at \$1,000 or more to make estimated tax payments for the 1983 and 1984 tax years.

Amends Sections 43-401, 43-412, 43-581, effective for tax years beginning from and after December 31, 1982. Amends Section 43-326 for tax years beginning from and after December 31, 1981. Amended Section 43-1022.01 Arizona Revised Statutes; Amends Title 43, Chapter 4, Article 1, Arizona Revised Statutes, by adding Section 43-405, effective February 11, 1983.

Chapter 85
SB 1012

Allows the contribution of \$2 (single filers) or \$4 (married filing jointly) from a refund to go to the Child Abuse Prevention and Treatment Fund. The Department may recoup the initial administrative cost. If the total amount in the fund exceeds \$6 million on June 30, the Department is not required to provide the checkoff on the form for that tax year. The amount contributed may be deducted as a contribution during the taxable year in which it was made.

Amends Section 8-550.01, Arizona Revised Statutes; Amends Title 43, Chapter 6, Article 1, Arizona Revised Statutes, by adding Section 43-613, effective for tax years 1983 through 1987.

Chapter 247
SB 1149

Changes the state definition of the Internal Revenue Code to reflect changes made in 1982.
Amends Sections 42-1501 and 43-104, Arizona Revised Statutes, effective July 27, 1983.

Chapter 287
SB 1159

Enacts the Uniform Division of Income for Tax Purposes Act, a means of allocating income subject to taxation of companies doing business within and without the state. Allocates intangible income on the same basis as all other income. Effective for taxable years beginning from and after December 31, 1983. Also allows an alternative tax rate of 6.4% on net capital gains of corporations, effective January 1, 1986.

Amends Section 43-1111, Arizona Revised Statutes, effective from and after January 1, 1986. Amends Sections 43-1121 and 43-1122, effective for taxable years beginning from and after December 31, 1983. Repeals Title 43, Chapter 11, Article 4, Arizona Revised Statutes, and Amends Title 43, Chapter 11, Arizona Revised Statutes, by adding a new Article 4.

Chapter 298
HB 2176

Eliminates the 10% withholding option for taxpayers with annual compensation of \$15,000 or greater.
Amends Section 43-401, Arizona Revised Statutes, as amended by Laws 1983, Chapter 4, Section 29, effective January 1, 1984.

Chapter 305
SB 1381

Specifically exempts state lottery winnings prior to March 22, 1983. Also inserts an addition to Internal Revenue Code cite relating to gambling winnings.
Amends Section 43-405, Arizona Revised Statutes, as added by Laws 1983, Chapter 4, Section 1, effective July 27, 1983.

ESTATE TAX

Chapter 247
SB 1149

Changes the state definition of the Internal Revenue Code to reflect changes made in 1982.
Amends Sections 42-1501 and 43-104, Arizona Revised Statutes, effective July 27, 1983.

LUXURY TAX

Chapter 185
SB 1246

Imposes a luxury tax of \$10 per ounce on cannabis (marijuana), and \$125 an ounce on other controlled substances. The Department will license "dealers" for \$100 and sell luxury tax stamps which are to be affixed within 24 hours after acquisition. The tax is immediately due and payable upon possession. This information is confidential under Section 42-108. The Department of Public Safety and each County Sheriff and municipal police department shall notify the Department of Corrections if a person found in possession of cannabis or other controlled substances. The revenue derived shall be allocated in equal amounts to the Department of Public Safety and the Department of Corrections. Also exempts the sale of malt extract from the luxury tax.
Amends Sections 42-108, 42-1201, 42-1202, 42-1204, 42-1207 and 42-1213, Arizona Revised Statutes, effective July 27, 1983.
Amends Title 42, Chapter 7, Article 1, Arizona Revised Statutes, by adding Section 42-1203.01, amending Title 42, Chapter 7, Article 1, Arizona Revised Statutes, by adding Section 42-1212.01, effective July 27, 1983.

UNCLAIMED PROPERTY

Chapter 240
SB 1355

A new uniform unclaimed property act which improves the existing administration by 1) specifically addressing certain types of property such as gift certificates, credit memos, and unclaimed wages; 2) defining which state has jurisdiction when there are multiple claims; 3) increasing the dollar value of property required to be reported from \$5 to \$25; 4) requiring the holder to mail the notice for amounts over \$50 with the Department only required to mail a second notice if there is a change of recent address; 5) covering securities even if the holder does not have actual possession; 6) allowing the Department broader audit authority; 7) requiring holders to give notice of service of charges before they are imposed; 8) defining as unenforceable contracts entered into with local firms for two years after the property is turned over; 9) establishing civil penalties for failure to pay or deliver property, willful failure to pay or deliver property and failure to render a report; 10) allowing interest on interest bearing items to be paid for a maximum 10-year period; 11) allowing the Department to destruct worthless property; and 12) allowing the Department to acquire custody of property prior to the period of abandonment.
Repeals Title 44, Chapter 3.1, Arizona Revised Statutes; Amends Title 44, Arizona Revised Statutes, by adding Chapter 3, and amending Sections 6-395.10, 6-929, 10-1061 and 42-1061, Arizona Revised Statutes, effective January, 1984.

SALES AND USE TAX

Chapter 4
HB 2003

Requires sales and use taxes to be paid by the twentieth of the month and to be delinquent if not received on or before the day preceding the last day of the month, beginning in April, 1983.
Amends Section 42-1322, and 42-1412, Arizona Revised Statutes, effective February 11, 1983.

Chapter 42
HB 2071

Exempts lightweight motor vehicles from the sales tax, retroactive to July 1, 1982. Also states that payment of the motor carrier tax for a lightweight motor vehicle exempts a person from a sales tax or similar tax imposed by any taxing authority.
Amends Section 42-1321, Arizona Revised Statutes, as amended by Laws 1981, Chapter 67, Section 10, Chapter 110, Section 2, Chapter 130, Section 2, and Chapter 207, Section 11; Repealing Section 42-1321, Arizona Revised Statutes, as amended by Laws 1982, Chapter 230, Section 5, effective July 1, 1982.

Chapter 110
SB 1053

Exempts the holder of a single trip use fuel tax permit from sales tax.
Amends Section 42-1409, Arizona Revised Statutes, and repeals Section 42-1321, Arizona Revised Statutes, as amended by Laws 1982, Chapter 230, Section 5, effective July 27, 1983.

Chapter 121
SB 1309

Exempts production and breeder livestock from the sales tax.
Amends Section 42-1312.01, Arizona Revised Statutes, effective July 27, 1983.

Chapter 126
SB 1364

Exempts aid to construction, hookup fees, and transfer of property to a utility from sales tax.
Amends Section 42-1310, Arizona Revised Statutes, as amended by Laws 1982, Chapter 188, Section 1 and Chapter 230, Section 2; Amending Section 42-1371, Arizona Revised Statutes, as amended by Laws 1982, Chapter 188, Section 4 and Chapter 230, Section 10; Repeals Section 42-1310, Arizona Revised Statutes, as amended by Laws 1982, Chapter 186, Section 1, and repeals Section 42-1371, Arizona Revised Statutes, as amended by Laws 1982, Chapter 186, Section 3, retroactive to January 1, 1983.

Chapter 144
HB 2175

Includes consignment transactions and auctions in the definition of "sale" in Section 42-1301. Applies to art works accepted on consignment after the effective date of the act.
Amends Section 42-1301, Arizona Revised Statutes, effective April 19, 1983.

Chapter 243
SB 1026

Allows the formation of a district for the purpose of maintenance and operations of an existing recreation or library facility within the national park system after November 1, 1983. The district may levy an additional 1% sales tax on retail sales after January 1, 1984. The tax rate after the first year will be one-half percent for the remaining life of the district. The tax may not be imposed for longer than three years without legislative authority. Incorporates recreation center districts into the confidentiality statutes, and into the city sales tax collection statutes.
Amends Title 11, Chapter 5, Arizona Revised Statutes, by adding Article 2; Amends Sections 42-108 and 42-1451, Arizona Revised Statutes, effective from November 1, 1983, to December 31, 1986.

Chapter 298
HB 2176

Temporarily increases the sales tax on retail sales by 1% effective June 1, 1983, through June 30, 1984. Distributes the additional sales tax revenue to the General Fund. Of the amount distributed to the General Fund, \$25 million will be allocated and distributed to the counties; \$8 million will be paid to Maricopa County in monthly installments of \$666,667; \$5 million to Pima County in monthly payments of \$416,667; and the remaining \$12 million paid to the other counties calculated in the same manner as transaction privilege tax ratios, except that Maricopa and Pima Counties' assessed valuation and sales will be omitted from the base.
Laws of 1983, Chapter 298, effective June 1, 1983, through June 30, 1984.

Chapter 299
HB 2331

Imposes a temporary 25% increase on all total sales tax rates other than retail, for the period January 1, 1984, to June 1, 1984. The monies are deposited to the General Fund.
Laws of 1983, Chapter 298, effective January 1, 1984, to June 1, 1984.

Chapter 316
SB 1358

Allows providers of emergency access services, the 911 emergency telephone number, to collect sales tax not to exceed one-half of one percent on the amount charged to provide emergency access services. The amount of the tax will be set by the Joint Legislative Tax Committee, by June 1 each year, with recommendations from the Department of Administration. The tax will be remitted monthly to the Department, accompanied by a form prescribed by the Department. The Department will deposit the monies to the Emergency Telecommunication Services Revolving Fund.
Amends Title 42, Arizona Revised Statutes, by adding Chapter 8.2, effective July 1, 1983.

PROPERTY TAX

Chapter 20
HB 2182

Requires the Department to assess \$708,531 against each nuclear generating consortium. Of that amount \$421,456 is due and payable on March 24, 1983, with 10% interest due on unpaid balance. \$287,075 is due and payable July 1, 1983.
Laws 1983, Chapter 20, effective March 24, 1983.

Chapter 34
HB 2073

Specifies January 1 as the appraisal date for centrally valued property.
Amends Sections 42-124, 42-124.01, 42-124.03, 42-704, 42-745, 42-762 and 42-793, Arizona Revised Statutes, effective July 27, 1983.

Chapter 35
HB 2074

Moves flight property from Class 1, at an assessment ratio of 38% for 1983, to Class 7, with an assessment ratio is calculated annually by the Department.
Amends Sections 42-136 and 42-227, Arizona Revised Statutes, effective April 1, 1983.

Chapter 62
HB 2152

Sets the state property tax rate at 75¢, and establishes the following education qualifying rates: basic aid \$1.63/\$3.26, capital outlay \$.43/\$.86.
Amends Sections 15-971 and 15-972, Arizona Revised Statutes, effective July 27, 1983

Chapter 68
SB 1157

A technical correction which adds the income of a spouse of a disabled person to the income criteria to qualify for the disabled person's property tax exemption.
Amends Section 42-279, Arizona Revised Statutes, effective July 27, 1983.

Chapter 94
HB 2153

Refunds church property taxes erroneously billed and paid, and forgives property taxes and penalties due from churches and educational institutions for tax years 1980, 1981, and 1982.
Laws of 1983, Chapter 94, effective April 12, 1983.

Chapter 188
SB 1022

Requires cities or towns annexing property to furnish each property owner with a notice that the property may be annexed. The Department and the County Assessors must provide the city or town a statement showing the owner, the address of the owner and the appraisal and assessment of the property within 30 days of the request.

Amends Section 9-471, Arizona Revised Statutes, effective July 27, 1983.

Chapter 204
HB 2262

Taxes collected on escaped property in excess of the levy, may be used in the year in which the properties were found. In the following year, the escaped property must be added to the assessed valuation base, and the amount of taxes attributable to the escaped property may be added to the levy base. Allows for an estimate of unsecured property to be included in the calculation of the primary property tax levy. Any amounts collected in excess of the estimate will be used to reduce the levy in the following year.

Amends Section 42-301, Arizona Revised Statutes, effective April 20, 1983.

Chapter 244
SB 1070

The Board of Tax Appeals is authorized to reduce the valuations of properties found to be in excess of their full cash value, and to increase the valuation of properties found to be less than their full cash value. If the Board is going to equalize values by class or county, notices of the hearings must be published for 15 days prior to the hearing on five consecutive days. Ten days before the hearing the Board must notify the Governor, Attorney General, President of the Senate, Speaker of the House of Representatives, Director of the Department and the County Assessor of the county in which the property is located. The Department then has five days in which to provide written comments about the proposed equalization order. Individuals may obtain notice of equalization hearings for a fee not to exceed \$5. The Board must also submit details of its decisions regarding equalization orders.

Amends Section 42-143, Arizona Revised Statutes, effective July 27, 1983.

Chapter 261
HB 2216

Allows a county which received payments in lieu of taxes for hydroelectric power plants (Hoover Dam) between January 1, 1975, and January 1, 1983, and used the money for television translator facilities, to establish a television improvement district. The County Board of Supervisors may levy a tax to cover the expenses of the district. Establishes a methodology to account for the monies and liabilities of such a district, if the county is split. A district formed in 1983 is exempt from the notice requirements in Section 42-483, but is required to notify the Department and the County Assessor as soon as possible.

Amends Title 11, Chapter 5, Arizona Revised Statutes, by adding Article 2, effective April 25, 1983.

Chapter 275
HB 2245

Expands the scope of the State Compensation Fund. Also states that any real property owned by the State Compensation Fund is subject to property taxes.

Amends Title 23, Chapter 6, Article 5, Arizona Revised Statutes by adding Sections 23-986 and 23-987, and amending Section 23-981, 23-981.01, 23-985, and 23-1006, Arizona Revised Statutes, effective January 1, 1984.

Chapter 290
SB 1199

Allows County Treasurers, with approval of the Board of Supervisors, to issue a clearance certificate for uncollectible personal property taxes. If the property or the owner is located, the County Treasurer may reinstate and collect the tax as if no approval of the certificate had been given.

Amends Section 42-616, Arizona Revised Statutes, effective July 27, 1983.

Chapter 312
SB 1027

Property subject to a lease purchase agreement between a municipality and a railroad, before September 30, 1983, is exempt from property taxes. Upon termination of the lease purchase agreement, the exemption is revoked.
Laws of 1983, Chapter 312, effective January 27, 1983.

Chapter 313
SB 1154

Provides for the optional payment in lieu of property taxes if a court has enjoined the collection of 1982 or 1983 property taxes. The Board of Supervisors may collect the voluntary tax payments if all affected governmental entities agree. The tax payments will first be applied to school districts and the taxpayer may specify which other districts shall receive revenue. Should the taxpayer prevail the amounts paid are refundable.
Laws of 1983, Chapter 313, effective May 4, 1983.

Chapter 315
SB 1302

Changes the date for the notice of full cash value from February 1 to between January 15 and February 15. The Director may extend the deadline upon application by a county assessor, to March 1. Taxpayers may appeal within 15 days after the mailing of the notice. Assessors must rule on petitions for appeal by April 1 of each year. Also eliminates the requirement that notice by a County Assessor to a property owner of increased valuation resulting from an error or omission be sent by certified mail.
Amends Sections 42-221 and 42-405, Arizona Revised Statutes, effective July 27, 1983.

ADMINISTRATION

Chapter 4
HB 2003

Establishes interest rates on delinquent taxes to be the same as the rate charged by the IRS, compounded annually.
Amends Section 42-342, 42-384, 42-393, 42-396, 42-404, 42-608, 42-612, 42-705, 42-747, 42-1205, 42-1212.01, 42-1322, 42-1327, 42-1414, 42-1416, 42-1506, 42-1716, 42-1718, 42-1832, 43-563, 43-821, 43-826, 43-801 through 43-804, 42-1071, Arizona Revised Statutes; Amends Title 43, Chapter 8, Article I, Arizona Revised Statutes, by adding Section 43-805, effective February 11, 1983.

Chapter 67
SB 1156

Allows the Department to charge the pro rata cost of publication and distribution of publications such as the State Tax News. Also establishes a revolving fund for the monies.
Amends Section 42-104, Arizona Revised Statutes, effective July 27, 1983.

Chapter 115
SB 1155

Specifically includes unclaimed property, audit investigations, severance tax, and the Bureau of Alcohol, Tobacco and Firearms in the confidentiality statutes.
Amends Section 42-108, Arizona Revised Statutes, effective July 27, 1983.

Chapter 125
SB 1356

Allows the Department to enter into agreements with out-of-state collection agencies. Establishes revolving fund in which collections will be deposited and from which collection fees will be paid.
Amends Title 43, Chapter 5, Article 5, Arizona Revised Statutes, by adding Section 43-572, effective July 27, 1983.

Chapter 138
HB 2044

Holds confidential any tax information received by ADOT from the Department of Revenue. Also allows ADOT to collect use taxes on motor vehicles, issue a receipt in a form provided by the Department, and remit the money monthly for deposit in the General Fund.

Repeals Sections 28-1508, 28-1522, 28-1523, 28-1570, 28-1580, 28-1582, 28-1583, and 28-1599.12 through 28-1599.21, Arizona Revised Statutes; Amends Sections 28-304, 28-1581, 28-1590.02 and 28-1599.07, Arizona Revised Statutes; Renumbered Section 28-1599.22, Arizona Revised Statutes, as Section 28-1599.12 and amends Title 28, Chapter 9, Arizona Revised Statutes, by adding Article 7, effective July 27, 1983.

Chapter 167
SB 1013

Allows any state agency to submit to the Department, by November 1 each year, a list of individuals who owe debts in excess of \$50 to the state. Any income tax refund for the individual may be offset by the amounts owed. A revolving fund is established for the fees which may be charged for this service.

Amends Section 43-601, Arizona Revised Statutes, and amends Title 43, Chapter 6, Article 1, Arizona Revised Statutes, by adding Section 43-614, effective July 27, 1983.

Chapter 221
HB 2039

Permits the Department of Economic Security to request from the tax files the last known address of individuals who owe child support payments under court orders.

Amends Title 43, Chapter 3, Article 4, Arizona Revised Statutes, by adding Section 43-363.01, effective July 27, 1983.

Chapter 230
SB 1107

Forgives unpaid sales and use tax, penalties and interest, owed as of January 1, 1983, by state agencies funded out of the General Fund.

Laws 1983, Chapter 230, effective April 22, 1983.

Chapter 277
HB 2278

States that the Attorney General's Collection Enforcement Revolving Fund is to be used for the purpose of collecting debts owed by the state. Thirty-five percent of all monies recovered shall be credited to the revolving fund. \$100,000 in the fund is considered non-lapsing.

Amends Section 41-191 and 41-191.03, Arizona Revised Statutes; and amends Title 41, Chapter 1, Article 5, Arizona Revised Statutes, by adding Section 41-191.04, effective July 27, 1983.

INCOME TAX

1. Amend A.R.S. 43-344 through 43-347 to conform Arizona form 199 filing requirements to the federal form 1099 filing requirements, and to allow for the filing of a copy of the federal form 1099 in lieu of the Arizona form 199.

Purpose:

Arizona law requires businesses making certain payments to a taxpayer in excess of \$300 during the calendar year to annually submit a state form 199 by February 16. Arizona corporations paying patronage dividends, rebates or refunds in excess of \$100 during the calendar year are also required to file. Federal law requires a form 1099 for amounts in excess of \$600 to be filed by February 28. By conforming to the federal requirements, Arizona businesses will only have one document to fill out.

SALES TAX

1. Amend A.R.S. 42-1314 to eliminate the pyramiding of sales tax when tangible personal property is leased for re-lease.

Purpose:

Legislation passed in 1981, effective June 30, 1980, provided that the tax on the rental of real property would only be imposed once if property were leased and then re-leased. The lessor nearest the person in possession of the property would be liable for the tax, unless the lessor was not engaged in the business of renting or leasing real property. In that case the tax is levied on the lessor who is engaged in the business of renting or leasing who is nearest to the person in actual possession. This bill would allow the same treatment for the leasing or renting of personal property.

2. Amend A.R.S. 42-1301, 42-1302, and 42-1384 to exclude state and municipal transaction privilege and sales taxes from gross proceeds of sales and gross receipts when calculating sales tax liability.

Purpose:

A recent court case, U.S. vs. the California State Board of Equalization, stated that a sales tax which created an "economic incentive" to the seller to pass the tax on to the consumer could not be imposed if the sales or lease were made to a tax exempt entity such as the Federal government.

A.R.S. section 43-1302 contains a provision which allows a vendor to deduct sales tax collected from gross income (only if tax is separately stated) when computing the sales tax liability. Since this deduction of sales tax collected lowers the tax base from which the sales tax liability is computed, it could be construed that such an economic incentive exists in Arizona statutes, and, therefore, sales tax charged to the Federal Government might not be permitted, creating a revenue loss to the state.

To preclude the potential loss of revenue as a result of this court decision, we would adopt factoring, which is used by New Mexico and which has been upheld by the U.S. Supreme Court as constitutional. To determine the sales tax liability, the vendor takes his total gross income, including tax, for a month and divides it by 1.00 plus the applicable tax rate. Assuming a retail rate of 2.5%, the calculations under the current method and the proposed method would be as follows:

<u>Current Method</u>		<u>Proposed Method</u>	
Gross income less tax collected	\$100.00	Gross income including tax collected	\$102.50
Tax rate	x .025	Factor	<u>1.025</u>
Tax liability	<u>\$ 2.50</u>	Gross income with tax factored out	\$100.00
		Tax liability	<u>\$ 2.50</u>

This bill would not preclude a taxpayer from separately stating the gross and the tax, but would not require it. The allowance of "factoring" will make the calculation of the tax easier for small businesses without registers which automatically keep the gross and the tax separate.

In order to maintain the deductibility of sales taxes paid for state income tax purposes, language in the bill would strike the requirement of a separate statement.

ADMINISTRATIVE PROCEDURES

1. Conform procedures for all types of tax administered by the Department, with the exception of property tax, in the areas of statutes of limitations, deficiency assessments, appeals, protest funds, abatements and offsets.

Purpose:

Under present law the statutes of limitations vary from two to four years, which requires the maintenance of separate systems for audit selection, deficiency assessments, and refunds. The proposed law would make the statutes of limitations more uniform. The current exceptions to the statutes of limitations are scattered throughout the statutes, and would be centralized in this proposal.

The current protest period for income tax is ninety (90) days and for all other taxes is thirty (30) days. The proposed legislation would allow a sixty (60) day protest period for all tax types. Appeals procedures would also be made uniform and centralized in the statutes. Standard procedures would be established for refunds, credits and abatements, and a procedure for offsetting balances would be implemented.

BINGO

1. Amend A.R.S. 5-423 to allow for the staggering of bingo licenses.

Purpose:

There are currently approximately 339 large and 451 small bingo licenses to renew annually. Statute requires that they be renewed by December 31.

The Department contacts the licensees in October, allowing them three months to complete the procedures.

To allow for a more even work and better use of resources, the bill would stagger the renewals by requiring large licenses to be renewed by December 31, and small licenses renewed by June 30.

PROPERTY

1. Amend A.R.S. 42-274 to remove the requirement of a notary's signature on the inventory tax exemption.

Purpose:

Article X, Section 2 of the Constitution allows a property tax exemption for inventory, and Section 42-274 requires a notarized affidavit to claim the exemption. The Constitution does not mandate a notarized signature, and it is time consuming and costly for the business.

2. Amend A.R.S. 42-1612 to include additional information in the property sale affidavit.

Purpose:

Arizona law requires that all property be appraised at full cash value, or market value. Appraisal practices, theory and law reflect market value as determined by cash or its equivalent received by the seller. Adjustments are often required in today's market because of creative financing, or cases in which sellers extend below market financing in exchange for inflated sales prices. Unless adjustments are made, over-valuations will generally result. The current affidavit of real property value does not contain financing terms and information. This information is necessary to statistically determine the relationship between actual sales price to market value when creative financing exists. This bill would require the terms of a sale to provide statistical information which would enable the Department to quantify the relationship. All such information would be confidential information.

GENERAL

1. Amend A.R.S. 42-103 to allow greater flexibility in the organization by eliminating the statutorily mandated organization structure.

Purpose:

Statute currently mandates organization of the Department into three divisions, Taxation, Administration and Property Tax. The Department would like to eliminate these references and thereby allow for organization along functional lines.